

VZCZCXRO6566
RR RUEHCN RUEHGH
DE RUEHGH #0316/01 1451003
ZNY SSSSS ZZH
R 251003Z MAY 07
FM AMCONSUL SHANGHAI
TO RUEHC/SECSTATE WASHDC 5859
INFO RUEHBJ/AMEMBASSY BEIJING 1110
RUEHCN/AMCONSUL CHENGDU 0667
RUEHGH/AMCONSUL GUANGZHOU 0649
RUEHHK/AMCONSUL HONG KONG 0777
RUEHSH/AMCONSUL SHENYANG 0671
RUEHIN/AIT TAIPEI 0541
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEHGH/AMCONSUL SHANGHAI 6260

S E C R E T SECTION 01 OF 03 SHANGHAI 000316

SIPDIS

SIPDIS

DEPT FOR EAP/CM, INR/B AND INR/EAP
STATE PASS USTR FOR STRATFORD, WINTER, MCCARTIN, ALTBACH, READE
TREAS FOR OASIA - DOHNER/HAARSAGER/CUSHMAN
TREAS FOR AMB. HOLMER, WRIGHT, TSMITH
USDOC FOR ITA/MAC - DAS KASOFF, MELCHER, MCQUEEN
NSC FOR WILDER AND TONG

E.O. 12958: DECL: X1 MANUAL REVIEW
TAGS: [PGOV](#) [PINR](#) [EINV](#) [ECON](#) [CH](#)
SUBJECT: EAST CHINA CONTACTS ON EAST CHINA LEADERSHIP

REF: SHANGHAI 280 AND PREVIOUS

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate
Shanghai, Department of State.

REASON: 1.4 (b), (d)

11. (C) Summary. During a series of recent meetings, East China contacts commented on top leaders in Shanghai and Jiangsu. With his recent appointment as Shanghai Party Secretary, Xi Jinping was likely out of the running for a top-level job for the next 5-10 years. Meanwhile, Shanghai Mayor Han Zheng was working under a cloud, with the threat of corruption investigations always looming on the horizon. Our contacts were mixed on their opinions about his current job security, with local officials viewing him as a spent force. Jiangsu Party Secretary Li Yuanchao was almost certainly in line for promotion; likely as head of the Organization Department, where one contact believed he would implement reforms he had piloted in Jiangsu on personnel selection procedures. How high Li rose, however, depended in part on relations between Li's mentor Hu Jintao and Premier Wen Jiabao, with whom Li had had a run-in a couple of years ago. One contact assessed that the likelihood of promotion to the highest levels in the military for Rear Admiral Liu Zhuoming, the son of former Politburo Standing Committee member and former Central Military Commission Vice Chairman Liu Huaqing, had increased since the retirement of his father's nemesis, former-President Jiang Zemin. End summary.

Xi Here For a While

12. (C) During a May 11 discussion, Deputy Director of Shanghai's Office of Financial Services Fang Xinghai said that with his recent promotion to Shanghai Party Secretary, Xi would be out of the running for central government positions for the next five to ten years. During a May 14 discussion with Pol/Econ Section Chief, JP Morgan General Manager for Greater China Andrew Zhang agreed that Xi would be in Shanghai for at least the next five years, but opined that he might be promoted to a Vice Premier slot after that.

13. (C) Fang thought Xi's tenure might be good for business. Xi had recently met with a Goldman Sachs executive and later told Fang that he enjoyed meeting with leaders of foreign companies.

During a May 21 lunch with Consul General, Fudan University Center for American Studies Director Shen Dingli said that Shanghai cadres were still nervous about Xi and what officials he would nominate for local positions. He added that Xi's priorities were twofold: show the central government that he supported its policies and could maintain stability; and show the people of Shanghai that everything was normal and there would not be a slowdown in the city's economic development.

14. (C) Shanghai officials' nervousness over Xi was understandable, given the recent personnel upheaval in the municipal bureaucracy. Fang explained that Shanghai government officials tended to take a different approach than officials in other provinces. When Deng Xiaoping and Jiang Zemin were in power, Shanghai was seen by Shanghai's senior leaders as a stepping stone to Beijing. However, most middle managers at around the deputy-general level have been happy to stay in Shanghai. This was different from places like Anhui where officials were competing for jobs outside the Province. Thus, mid-level Shanghai officials tended to have more personally vested interests and engaged in more long-term investment and planning, such as in education, health care, or physical infrastructure.

Han's Troubles Haven't Gone Away

15. (C) During a May 14 discussion with the Deputy Principal Officer, Hong Kong-based (but Beijing-origin) businessman Tang Qiongzhang, a friend of United Front Work Department Head and Hu Jintao protigi Liu Yandong's husband, said that Shanghai Mayor Han Zheng had his own issues that would eventually be investigated. The problem was that the Party could not oust both Han and former Party Secretary Chen Liangyu simultaneously. The leadership had decided to move against Chen first and see how Han conducted himself, reserving the right to move against him later if necessary.

SHANGHAI 00000316 002 OF 003

16. (C) Tang said that some in the leadership had felt it more prudent to move against Chen first rather than risk his promotion, when it would have been all but impossible to oust him. Tang opined that if Chen had not been removed, he would have "automatically" been promoted to the Politburo Standing Committee (PBSC), being the only candidate to represent Shanghai's interests on the PBSC if Huang Ju and Zeng stepped down. (Comment: Tang's assumption being that Shanghai was entitled to PBSC representation. End comment.) Chen's corruption problems were not any worse than those of other leaders--actually, they were much less severe than many. However, Chen was a "disruptive influence" who had constantly opposed central policies. Tang added that you could not find a cadre in the system that didn't have a corruption problem.

17. (C) Tang noted that there had always been daylight and mutual distrust between Chen and Han. Chen's wife had a position at a bankrupt state-owned enterprise or bank in Shanghai that never required her to do any work or even show up at the office. Han had long chided Chen over that particular issue. Shen added that Chen was currently trying his best to torpedo Han since he believed that Han played a role in his downfall. Shen had heard that Han would either stay on as Shanghai Mayor or, if he came out of the pension scandal unscathed, might move to Beijing as deputy director of the Organizational Department. Nanjing University Professor Gu Su noted in a May 14 conversation, however, that since Xi Jinping's promotion to Shanghai Party Secretary was announced, Shanghai officials had stopped calling Han. The officials assessed that Han was a spent force and his days were numbered.

Li Yuanchao--Pending Promotion May Portend Personnel Pilot Program

¶18. (S) Professor Gu said Li Yuanchao was the likely candidate to take over either the propaganda portfolio or fill in as Director of the Organization Department. In any event, Li was almost certainly heading for Beijing. Li had told the Nanjing University Party Secretary to stop telling people about his pending transfer for fear of jinxing his chances.

¶19. (C) Gu believed that if Li were selected as head of the Organization Department, it would be a signal of impending reforms. In 2003, Li began implementing personnel selection reforms at the provincial department level head (tingzhang) and below. Under these reforms, any Chinese qualified citizen could apply for these positions, regardless of residence (including Chinese living abroad). Would-be contenders had to face both written and oral examinations designed to narrow the field. Those who passed the exams would then participate in a televised live public debate. While everyone in the province could watch, a panel of 200 reviewers comprised of officials above a certain level would score each candidate's performance. The scores were tallied and averaged and the party committee then chose the person with the highest average score. It was Li's innovative approach to finding the most qualified personnel that had led to his being considered for the post of Organization Department head. Gu believed that if Li were promoted to this slot, within five years Li's Jiangsu pilot program would be implemented nationwide.

Problems in Li's Past Could Limit His Rise

¶10. (C) Although he assessed that Li Yuanchao was a contender for a PBSC slot, Gu noted that it was more of a long shot. Li was currently only an alternate member of the Central Committee. A promotion to the PBSC would be a jump of three levels (i.e. Central Committee Member, Politburo, and PBSC), making it difficult for Hu to justify, particularly if he were also trying to get Li Keqiang on the PBSC.

¶11. (C) Moreover, Li Yuanchao had come under some criticism from Premier Wen two or three years ago for Jiangsu's support of Tieban Steel. Under Li, the Jiangsu provincial government and

SHANGHAI 00000316 003 OF 003

the Changzhou municipal government had jointly invested in the facility, without the approval of the central government. When Wen found out about it, he personally traveled to Jiangsu and had several people thrown in jail over the incident. Gu said Li had taken a page from Chen Liangyu's strategy of develop first, ask permission later and had personally come under strong criticism from Wen. Gu assessed that if Li ran into problems with promotion, they would likely stem from the Tieban incident. The case would also be a bellwether of the Hu/Wen relationship.

Liu Zhuoming: An Unexpected Princeling

¶12. (C) On May 13, the Consul General and Poloff traveled with PACOM Commander Admiral Keating to visit the Nanjing Naval Command College (NNCC) and meet with its Commandant, Rear Admiral Liu Zhuoming. One of the People's Liberation Army (PLA) delegation members informed the CG that Liu's father was former Central Military Commission (CMC) Vice Chairman and PBSC member Liu Huaqing. Professor Gu separately commented that Liu Zhuoming's prospects for promotion were better now that former-President Jiang Zemin's influence was fading. Liu Huaqing had been promoted to the PBSC by Deng to help control Jiang when Jiang moved to Beijing in 1989 to be Party Secretary. Later, Jiang had helped orchestrate Liu Huaqing's removal. With Jiang retired, his influence over the military has faded. For instance, all of the naval commanders Jiang appointed had been forced out due to corruption or the 2003 submarine accident. (Comment: In April 2003, Ming-class submarine Number 361 sank in the Beihai sea, killing all 70 aboard. Hu's deft PR handling of the event--expressing condolences while

acknowledging shortcomings in training and pledging greater support for modernization earned him praise, while Jiang was criticized for only extolling martyrdom and avoiding tackling the cause of the accident. End comment.) Gu, whose former student works as a professor at the NNCC, assessed that as a princeling with strong credentials, Liu Zhuoming could rise to the Central Committee or even eventually be elected as a vice chairman of the CMC. Liu's position, Gu said, was not far below that of the Nanjing Military Region Commander.

¶13. (C) During the official meetings, Liu at first came off as wooden and aloof. He stuck to and read his remarks to Admiral Keating and was continually scanning the room. As the meeting progressed, however, it became obvious that Liu had a keen, albeit deadpan, sense of humor. Although he spoke no English during the meeting, it was clear that Liu understood a great deal, occasionally responding to Admiral Keating's words before the translator could speak and at one point laughing at a joke before it was translated. Liu bemoaned the fact that he had not been on a U.S. aircraft carrier before and expressed his desire to visit PACOM and tour one. Liu also expressed his hope to see a Chinese aircraft carrier operational before he retired. Separately, Gu noted that Liu's sister was involved in arms sales to foreign countries through Huawei and other military or quasi-military companies on whose boards she sat.

JARRETT